

Conferences

Chief Judge Michel Says Commentary Reading Too Much Into *Bilski* Opinion

"Don't believe most of what you hear and half of what you read" on the meaning of the *In re Bilski* opinion, its author, Chief Judge Paul R. Michel of the U.S. Court of Appeals for the Federal Circuit told an audience of patent practitioners at a July 21 conference in Arlington, Va.

The eighth annual "Hot Topics in Patent Law" symposium, sponsored by the intellectual property program at George Mason University School of Law and Banner & Witcoff Ltd., gave Michel the opportunity to debunk the views of many that all business method, software, or bioinformatics patents were rendered unpatentable by the "machine-or-transformation" test defined in the case.

The other hot topics addressed during the meeting were: the status of *Tafas v. Doll*; avoiding inequitable conduct liability after *McKesson* and *Larson*; the impact of *In re TS Tech USA Corp.* on the future of litigation in the U.S. District Court for the Eastern District of Texas; intellectual property issues involving firms filing for bankruptcy; the International Trade Commission's rules on stopping imports of downstream products with infringing components; and offshore assembly for foreign sales in light of *Microsoft v. AT&T*.

***Bilski* Not the 'Last Word.'**

Bilski has to be "read side-by-side with the foundational cases" on patentable subject matter, particularly the U.S. Supreme Court cases on that issue from 1972 to 1981, Michel said. "Failure to do that tempts people to take one sentence, or even one word, and read into it huge amounts of meaning that may not have been intended."

Michel was the author of the majority opinion in *In re Bilski*, 545 F.3d 943, 88 USPQ2d 1385 (Fed. Cir. 2008) (en banc), *Bilski v. Doll*, No. 08-964 (U.S. cert. granted, June 1, 2009) (106 PTD, 6/5/09)).

The opinion generated considerable reaction from the patent community on whether the machine-or-transformation test would eliminate certain technologies from patentability. Others were generally concerned that the opinion left open too many questions (223 PTD, 11/19/08).

To the doomsayers predicting the death of business method, software, or bioinformatics patents, Michel told the audience that *Bilski* didn't discuss those areas and that the facts of the case didn't provide an opportunity to address them specifically. He said there was no evidence that the Federal Circuit's subject matter patentability test was so rigid or restrictive as to invalidate patents for whole areas of technology. Speaking specifically about business methods, he said that the test leaves "not all methods ineligible, and not all eligible."

To those who argue that the opinion did not go far enough in answering patentability questions, Michel said that that's a problem inherent in a common law system. "With Section 101 as terse and vague as it is," he said, inevitably patent examiners, the Board of Patent Appeals and Interferences, district court judges, the Federal Circuit, and ultimately the Supreme Court are going to have to develop this area of law "in the classic old English model."

Michel said that the Supreme Court's opinion in *Bilski* will be "the last word only in this particular litigation." He noted that his court has "a steady stream of [Section] 101 cases coming to us" from the BPAI and the district courts already. Some of those cases are in other technology areas, or have different circumstances, such that "panel decisions that will help map out areas that now seem quite unclear," he said. "

But avoid the temptation to say the next case is latest word in 101. It's an ongoing process. Stay tuned."

Hints on Particular Machine, Transformation

Michel attempted to allay some specific fears, though. As to the prong of the test that offers patentability when processes "transform a particular article into a different state or thing," he noted the concern of some that "article" implies something physical. That's "not a reasonable construction of the word," he said.

He pointed to the court's decision in *Arrhythmia Research Technology Inc. v. Corazonix Corp.*, 958 F.2d 1053, 22 USPQ2d 1033 (Fed. Cir. 1992), allowing patentability of a process claim that transformed electrical signals from one form into another.

Further, when an audience member related that a PTO examiner cited *Bilski* in rejecting a claim for an invention that, quite usefully, *prevented* a natural transformation of water into a solid, Michel said he would find transformation if "you're changing the state from what it would otherwise naturally be."

As to the machine prong of the test, he said a machine can be "anything from a crowbar to a space shuttle." But he recognized the anxiety many have over the requirement that a process must be tied to a *particular machine* or

apparatus. He thought that the BPAI had taken "inconsistent approaches" to the machine requirement since the *Bilski* opinion was published. (A recent BNA audioconference addressed the same concern ((72 PTD, 4/17/09)).

Again, he referred to the "steady stream of cases" before his court appealing some of those BPAI decisions, and predicted that the Federal Circuit "will get some resolution" to better defining a particular machine.

Other Hot Topics

The remainder of the conference covered a broad spectrum of issues, generally emanating from recent court decisions.

- Elizabeth J. Haanes and Robert G. Sterne of Sterne, Kessler, Goldstein & Fox, Washington, D.C., talked about the continuation and claim limitation rules the PTO attempted to implement, now at issue in *Tafas v. Doll*, No. 2008-1352 (Fed. Cir. *en banc* rehearing granted July 6, 2009) (128 PTD, 7/8/09).

The original panel opinion, now vacated, was published March 20. 559 F.3d 1345, 90 USPQ2d 1129 (53 PTD, 3/23/09). Sterne said the patent community owes a debt of gratitude to the plaintiffs for continuing to fight the rules, and left no doubt as to his bias against them. He said, "You won't be able to protect fundamental breakthroughs under these rules."

He told the audience to pay careful attention to the scheduled Oct. 7 *en banc* hearing in *Tafas*, and refused to predict the outcome.

- Mercedes K. Meyer of Drinker Biddle & Reath, Washington, D.C., provided a number of suggestions for patent prosecutors hoping to avoid charges of inequitable conduct before the PTO.

She said that two recent cases in particular have changed disclosure requirements such that a prosecutor should "err on the side of being over-inclusive," particularly with respect to related applications with substantially similar claims. *McKesson Information Solutions Inc. v. Bridge Medical Inc.*, 487 F.3d 897, 82 USPQ2d 1865 (Fed. Cir. 2007); *Larson Manufacturing Company of South Dakota Inc. v. AluminArt Products Ltd.*, 559 F.3d 1317, 90 USPQ2d 1257 (Fed. Cir. 2009) (55 PTD, 3/25/09).

- A presentation by V. Bryan Medlock Jr. of Sidley Austin, Dallas, asked, "Is *TS Tech* the Death Knell for Patent Litigation in the Eastern District of Texas?"

Medlock said that motions to transfer cases were summarily dismissed in that district until *In re TS Tech USA Corp.*, 551 F.3d 1315, 89 USPQ2d 1567 (Fed. Cir. 2008) (2 PTD, 1/6/09, when the Federal Circuit held that Marshall Division Judge T. John Ward abused his discretion in refusing to transfer a case out of that "patent owner-friendly" district.

He noted a 270 percent increase in venue challenges in the Eastern Texas district since the *TS Tech* case, compared to the same time period in 2008. "Based on early returns, 60 percent have been granted," he said.

For those hoping to stay in the district, he said their best bet was to "sue a bunch of defendants," because it is harder for multiple defendants to argue that any one place is more convenient than Eastern Texas. In fact, this was the result in an affirmance by the Federal Circuit not to transfer the case in *In re Volkswagen of America Inc.*, 566 F.3d 1349, 91 USPQ2d 1036 (Fed. Cir. 2009) (99 PTD, 5/27/09).

- A three-member panel spoke on "Girding Your Client's Intellectual Property to Survive Bankruptcy," both from the perspective of a company entering bankruptcy and from a company with some business relationship with another firm entering bankruptcy.

Peter McDermott of Banner & Witcoff, Boston, Robert J. Kerwin of Tarlow Breed Hart & Rodgers, Boston, and Dean B. Watson, chief intellectual property counsel for Dura Automotive Systems Inc., Rochester Hills, Mich., warned the audience that supposedly non-assignable licenses can be assigned against the will of the licensor by a bankruptcy trustee.

Watson, whose firm emerged from bankruptcy, said that "IP is usually an afterthought" for those preparing for a bankruptcy filing, but that regarding IP that way would be a mistake. Especially if the company expects to lose employees before reorganizing, he suggested such companies review their confidentiality policy with employees.

- Lynn I. Levine, director of the International Trade Commission's Office of Unfair Import Investigations, addressed recent developments in the agency's ability to extend exclusion orders to downstream products, since the holding in *Kyocera Wireless Corp. v. International Trade Commission*, 545 F.3d 1340, 89 USPQ2d 1057 (Fed. Cir. 2008).

Exclusion orders prevent the importation of infringing articles, but they may also apply when the infringing article is used as a component in other products. For example, an infringing computer chip is placed on a circuit board, which can then be placed in a computer, Levine said, and the chip patent owner wants to stop entry of either the circuit

boards, the computers, or both, but does not always know the identities of all manufacturers.

The *Kyocera* decision, however, made exclusions of “non-respondents” more difficult, Levine said. Complainants now have a choice either to name the downstream product manufacturers specifically or seek a general exclusion order. However, post-*Kyocera* decisions have indicated the “commission is not opening the door wide to allow GEOs,” she added, pointing specifically to *Certain Ground Fault Circuit Interrupters and Products Containing the Same*, No. 337-TA-615 (I.T.C. March 26, 2009) (74 Fed. Reg. 15,510, April 6, 2009).

- Finally, Judge Liam O’Grady of the U.S. District Court for the Eastern District of Virginia, talked about “the Microsoft exception” to Section 271(f) of the Patent Act, referring to *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437, 82 USPQ2d 1400 (2007).

Section 271(f) does not allow a party to escape liability for infringement by assembling components overseas, but the Supreme Court held that Microsoft Corp.’s shipment of Windows system software on master disks to overseas computer manufacturers does not amount to an infringing “supply” of part of a patented invention from the United States, because the manufacturers make individual copies of the software to install on each individual computer.

“Unless Congress changes the law, software makers are in a different ballpark than tangible product makers,” O’Grady said. Courts are, therefore, “left with two very different applications of 271(f).”

Worksharing at PTO

The luncheon address was given by Acting PTO Director John Doll, who described the agency's worksharing initiatives with other patent offices, particularly among the “IP5” patent offices in the United States, Europe, Japan, China, and Korea.

The intent of the worksharing programs is “to re-utilize the work products of other offices to maximum extent possible,” Doll said, through both legal and systems harmonization.

Legal harmonization exists today to a great extent, with worldwide standards on novelty, inventive step or obviousness, and disclosure requirements. Additional efforts are underway, most notably in patent reform efforts in the United States, to harmonize grace periods and first-to-file rules.

But systems harmonization is clearly the focus of the agencies, covering the areas of technology, procedures, training, collaboration, quality, and productivity. Doll identified 10 “IP5 foundation projects” on systems harmonization:

- a common approach to sharing and documenting search strategies;
- common search and examination support tools;
- common documentation via “an extensive set of existing prior art sources enabling each office to search the same documentation”;
- a common classification system “that incorporates and improves upon the best features of each Office's current system”;
- standardized training policies and tools;
- mutual machine translation of each office's patent information;
- “One Portal Dossier—a tool enabling examiners to access the dossier information of each of the IP5 Offices using a single interface”;
- a standard application format recognized by all offices to facilitate efficient filing procedures;
- common rules for examination and quality control; and
- a system of common performance measures for examination.

By Tony Dutra